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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)	
)	
Policy and Rules Concerning)	
the Interstate, Interexchange)	CC Docket No. 96-61
Marketplace)	
)	
Implementation of Section)	
254(g) of the Communications)	
Act of 1934, as amended)	DOCKET FILE COPY ORIGINAL

REPLY COMMENTS OF GENERAL COMMUNICATION, INC.

General Communication, Inc. (GCI) submits these reply comments in response to the Commission's Notice of Proposed Rulemaking (Notice) (FCC 96-123), released March 25, 1996. Herein, GCI addresses the definition of the relevant product and geographic markets, the potential provision of "out-of-region" interstate services by local exchange carriers (LECs) and the issues relating to geographic rate averaging and rate integration.

I. Definition of Relevant Product and Geographic Markets

The Commission needs to adopt a more sharply focused market definition so that it can evaluate whether a carrier or group of carriers has market power, particularly in reference to the relevant geographic market. The present broad definitions are not adequate to identify carriers that possess market power within specific geographic markets.

The debate should not center on whether a national market

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analysis is sufficient in "most cases" or whether only "special" circumstances require more focused analysis. The Commission should not be reluctant to analyze any specific situation in which market power in a smaller geographic market is alleged. Any non-frivolous allegation of market power in a smaller geographic market should be investigated.

All parties in support agree that it is not feasible to conduct a market power analysis that defines separate geographic markets between each pair of individual locations. However, the Commission should not identify any specific geographic area. Market power does not necessary follow any preestablished lines. The analysis should be conducted for any geographic area for which there is an allegation of market power.

II. Separation Requirements for Independent Local Exchange Carriers and Bell Operating Company Provision of "Out-of-Region" Interstate, Interexchange Services

Most non-LEC parties oppose any attempt by the Commission to eliminate the separation requirement for LECs.¹ Maintenance of that requirement even for provision of "out-of-region" services is the only practical alternative.²

In the Competitive Carrier proceeding, the Commission determined that separations requirements should be imposed on

¹See Comments of Alabama PSC, ACTA, CompTel, GSA, Missouri PSC, MCI, MFS, Ohio PUC, Sprint, TRA and WUTC.

²This is necessary particularly in view of the Commission's decision not to consider in this proceeding the requirements for provision of in-region service.

independent LECs and that affiliates of such LECs would be treated as non-dominant if they met certain criteria. The separation requirement was deemed necessary to protect against cost-shifting and anticompetitive conduct. The requirement is necessary today and does not constitute a significant burden, yet it does protect against cost-shifting.³ Cost-shifting can occur even for out-of-region service. The slight burden of the requirement is more than justified by the benefit.

Parties arguing in support of elimination of the requirement are generally LECs.⁴ Frontier goes as far to invoke the Telecommunications Act of 1996 suspension and modification provisions as a reason why independent LECs should not be required to comply with the separations requirements. In fact, the opposite is true. Since the independent LECs can obtain suspensions or waivers, it is even more vital for those companies, who will continue to control bottleneck facilities, and who possibly have not complied with the requirements of 251 to keep their local and interexchange businesses separate.⁵

³Independent LECs are more capable of cross subsidy or shifting costs because they generally are not price cap carriers.

⁴See Comments of Ameritech, BellSouth, State of Florida, GTE, Nynex, SBC, SNET, USTA and US West.

⁵Unicom, Inc., an affiliate of United Utilities, a rural telephone company in Alaska, has recently received permission to provide intrastate interexchange service subject to several conditions, including keeping separate books and records and maintaining a cost allocation manual. See, Application of Unicom, APUC Docket U-96-15, Order No. 1, date April 11, 1996.

III. Geographic Rate Averaging and Rate Integration

As outlined by most parties, the requirements of geographic rate averaging and rate integration must be understood in light of the Conference Report.⁶ The Report states that section 254(g) is intended to incorporate the existing policies of the Commission on these matters. Further, the conferees recognized that non-averaged rates have been permitted in some instances and that exceptions to the rate averaging requirements could be allowed.

Further guidance regarding Section 254(g) is provided by Section 254(b), which sets out the Universal Service Principles to guide the Joint Board and the Commission. Section 254(b)(3) states that consumers in all regions, including high cost regions, should have access to services including interexchange services "at rates that are reasonably comparable to rates charged for similar services in urban areas."

Rate integration and rate averaging have had a beneficial effect on rates for service to Alaska, and GCI supported the continued application of the rate integration principle

The Commission and state commissions should continue these requirements since these companies control bottleneck facilities and have the ability to shift costs and cross subsidize.

⁶See Comments of AT&T, ACTA, BellSouth, Columbia Long Distance Services, Frontier, GTE, GSA, LDDS, MCI, Pennsylvania Office of Consumer Advocate, Sprint and TRA.

throughout the Alaska Joint Board proceeding⁷ and the purchase of Alascom by AT&T. Additionally, GCI has supported the rate averaging requirement contained in regulations of the Alaska Public Utilities Commission (APUC) for intrastate interexchange service.


Basic rates will establish the geographically averaged, integrated rates that are available to all consumers and that ensure that reasonably comparable rates and services are available to all consumers. Discounts and promotions would be allowed and should not normally be considered a violation of the rate averaging requirement.

Conclusion

The Commission should consider the comments herein when addressing the issues in this proceeding.

Respectfully submitted,

GENERAL COMMUNICATION, INC.

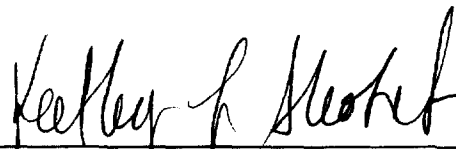

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May 3, 1996

⁷Integration of Rates and Services, 9 FCC Rcd 3023 (1994), Final Recommended Decision, 9 FCC Rcd 2197 (1993).

STATEMENT OF VERIFICATION

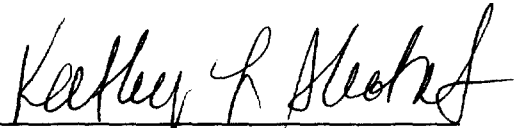
I have read the foregoing, and to the best of my knowledge, information and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed this 3rd day of May, 1996.

A handwritten signature in cursive script, appearing to read "Kathy L. Shobert", written over a horizontal line.

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CERTIFICATE OF SERVICE

I, Kathy L. Shobert, do hereby certify that on this 3rd day of May, 1996 a copy of the foregoing was sent by first class mail, postage prepaid, to the parties listed below.


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